Saskatchewan Transportation Company

Third Quarter Report 2013

For the quarter ending September 30, 2013

2013 3rd Quarter Corporate Reporting

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Management Discussion and Analysis

The following Management Discussion and Analysis (MD&A) provides insight into the Saskatchewan Transportation Company's (STC) operations in the third quarter of 2013. From a management perspective, it highlights the primary factors that impacted our operations and the financial results of the Company over the past nine months.

This MD&A compares the operational outcomes of the third quarter of 2013 to the corresponding quarter in the previous year (third quarter of 2012) and to the anticipated financial position of the Company over the full year. It also discusses any emerging issues that will have an impact on the Company's fiscal position.

Passenger Services:

In the first three quarters of 2013, STC coaches traveled approximately 2,291,000 miles, serving 284 Saskatchewan communities. Due to financial and operating pressures caused by Greyhound service reductions in Manitoba, STC reduced service frequency and adjusted endpoints on certain routes in late 2012. In May 2013, the Highway Traffic Board approved STC's request to discontinue three under-utilized routes. One route was approved for elimination in May with the other two routes approved for discontinuance at the end of 2013. The elimination of the one route in May 2013 has reduced the communities served from 287 in quarter one to 284 at the end of the third quarter.

Revenues from passenger operations in this quarter were $1,841,000 up from $1,776,000 in revenues reported in the third quarter of 2012. Year to date passenger revenues were $5,596,000, compared to $5,360,000 for the same period in 2012.

Expenses associated with operating passenger services were $3,808,000 up from the 2012 figure of $3,753,000. Year to date passenger operating expenses were $11,940,000, up from the 2012 total for the same period of $11,543,000.

Operating losses for passenger services in the quarter were $1,967,000, compared to a loss of $1,977,000 in the third quarter of 2012. Year to date losses were $6,344,000, compared to a loss of $6,183,000 for the same period in 2012.

Total ridership for the first three quarters of 2013 was 205,836, compared to 203,772 in the same period of 2012, an increase of approximately 1.0%.

STC last implemented a 4.56% passenger fare increase effective January 3, 2013.

Express Services:

Through its network of 193 agents in the province and interconnecting arrangements with other carriers, STC hauls freight throughout the province and connects to destinations across North America.

In the third quarter of 2013, revenues from express operations were $1,900,000, slightly down from the revenues of $1,966,000 reported in the third quarter of 2012. Year to date express revenues were $5,451,000 as compared to $5,562,000 for the same period in 2012.

Expenses associated with operating express services in the third quarter of 2013 were $1,427,000, down from the 2012 third quarter figure of $1,472,000. Year to date express operating expenses were $4,319,000, as compared to $4,360,000 for the same period in 2012.

Profits realized for express operations in the third quarter were $473,000, compared to a profit of $494,000 in the third quarter of 2012. Year to date profits were $1,132,000 compared to $1,202,000 for the same period of 2012.

STC last implemented an express rate increase effective September 1, 2013.

Maintenance Services:

STC operates two Maintenance Facilities, one in Saskatoon for major bus servicing, and one in Regina for routine servicing and maintenance.

In the third quarter of 2013, expenses associated with maintaining the Company's fleet (included in passenger and express services above) were $861,000 an increase compared to $850,000 in the third quarter of 2012. Year to date maintenance expenses for the Company's fleet were $2,825,000 as compared to $2,681,000 for the same period of 2012.

The Company also uses these facilities to perform maintenance work for other transportation companies. The revenues derived from this service in the third quarter of 2013 were $112,000 compared to $94,000 in the third quarter of 2012. Year to date revenues were $281,000 compared to $288,000 for that same period in 2012.

Expenses associated with such work were $70,000 in the third quarter of 2013 compared to $56,000 in the third quarter of 2012. Year to date expenses for third party maintenance work were $175,000 compared to $161,000 for the same period of 2012.

Financial Summary:

Overall, STC's revenues for the third quarter of 2013 amounted to $3,995,000, compared to $3,954,000 in the third quarter of 2012. Year to date revenues were $11,817,000 as compared to $11,565,000 for the same period of 2012.

Expenses for the third quarter were $7,164,000, compared to $6,889,000 for 2012. Year to date expenses were $21,820,000 as compared to $20,842,000 for the same period of 2012.

The Company's loss before grants for the quarter was $3,169,000, compared to $2,935,000 in the third quarter of 2012. Year to date losses were $10,003,000 as compared to $9,277,000 for the same period of 2012.

STC has been approved for an operating grant of $10.0 million from its holding company, the Crown Investments Corporation (CIC) of Saskatchewan for 2013. In September, STC received approval for up to an additional $500 thousand of operating grant. These additional funds are required to meet a cumulative funding shortfall caused by the detrimental effects of Greyhound service reductions in neighbouring provinces in 2011/2012 (resulting in loss of passenger connections and revenue) and the deferral of route eliminations to the end of 2013 by the Highway Traffic Board (resulting in increased operating costs).

In this year's first three quarters, STC drew down $8.2 million of the operating grant funds available from CIC. STC had no outstanding loans or indebtedness at the end of the quarter.

At the end of this quarter, the Province of Saskatchewan's equity in STC was $7,326,000 compared to $7,602,000 in the third quarter of 2012.

Saskatchewan Transportation Company
Condensed Statement of Financial Position
(unaudited)

	(Thousands of Dollars) As at September 30, 2013	As at December 31, 2012
Assets		
Current		
Cash	$ 1,297	$ 1,043
Accounts receivable	1,348	1,178
Inventories	315	296
Prepaid expenses	421	522
Assets held for sale	21	17
	3,402	3,056
Non-current		
Property and equipment	35,486	35,526
	$ 38,888	**$ 38,582**
Liabilities and Province's Equity		
Liabilities		
Current		
Trade and other payables	$ 2,543	$ 2,634
Non-current		
Deferred capital grant	29,019	28,886
	31,562	31,520
Province of Saskatchewan's Equity		
Contributed surplus	465	465
Retained earnings	6,861	6,597
	7,326	7,062
	$ 38,888	**$ 38,582**

See accompanying notes

Saskatchewan Transportation Company
Condensed Statement of Comprehensive Income (Loss)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	(Thousands of Dollars)			
	2013	2012	2013	2012
Revenue				
Express services	$ 1,900	$ 1,966	$ 5,451	$ 5,562
Passenger services	1,841	1,776	5,596	5,360
Other	254	212	692	645
Gain (loss) on disposal of property and equipment	-	-	78	(2)
	3,995	3,954	11,817	11,565
Expenses				
Operating costs other than those listed below	2,560	2,466	7,848	7,434
Salaries, wages and short-term employee benefits	3,814	3,742	11,682	11,410
Depreciation	790	681	2,290	1,998
	7,164	6,889	21,820	20,842
Loss before the following	(3,169)	(2,935)	(10,003)	(9,277)
Operating grant	3,000	2,000	8,200	7,100
Capital grant	715	598	2,067	1,748
Total comprehensive income (loss)	**$ 546**	**$ (337)**	**$ 264**	**$ (429)**

See accompanying notes

Saskatchewan Transportation Company
Condensed Statement of Changes in Equity
(unaudited)

(Thousands of Dollars)

	Attributable to the Province of Saskatchewan		
	Retained Earnings	**Contributed Surplus**	**Total Equity**
Balance at December 31, 2011	$ 7,566	$ 465	$ 8,031
Total comprehensive loss	(429)	-	(92)
Balance at September 30, 2012	7,137	465	7,602
Balance at October 1, 2012	$ 7,137	$ 465	$ 7,602
Total comprehensive loss	(540)	-	(540)
Balance at December 31, 2012	6,597	465	7,062
Balance at December 31, 2012	**6,597**	**465**	**7,062**
Total comprehensive income	**264**	-	**264**
Balance at September 30, 2013	**$ 6,861**	**$ 465**	**$ 7,326**

See accompanying notes

Saskatchewan Transportation Company
Condensed Statement of Cash Flows
(unaudited)

	Nine months ended September 30 (Thousands of Dollars)	
	2013	**2012**
Operating Activities		
Total comprehensive income (loss)	$ 264	$ (429)
Items not involving cash:		
Depreciation	2,290	1,998
(Gain) loss on disposal of property and equipment	(78)	2
Recognition of capital grant	(2,067)	(1,748)
Net change in non-cash working capital	(179)	(598)
Cash provided by (used in) operating activities	230	(775)
Investing Activities		
Additions to property and equipment	(2,256)	(2,501)
Proceeds on disposal of property and equipment	80	-
Cash used in investing activities	(2,176)	(2,501)
Financing Activities		
Capital grant received	2,200	1,300
Operating demand loan	500	-
Repayment of operating demand loan	(500)	-
Cash provided by financing activities	2,200	1,300
Increase (decrease) in cash	254	(1,976)
Cash, beginning of year	1,043	2,606
Cash, end of period	**$ 1,297**	**$ 630**

See accompanying notes

Saskatchewan Transportation Company
Condensed Notes to Financial Statements
For the period-ended September 30, 2013

1. Status of Saskatchewan Transportation Company

The Saskatchewan Transportation Company [STC; the Company] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. STC's powers, duties and conditions were affirmed in 1993 by Order in Council #5. STC is continued under *The Crown Corporations Act, 1993*. STC is a corporation domiciled in Canada. The address of the Company's registered office and principal place of business is 1717 Saskatchewan Drive, Regina, SK, S4P 2E2.

The financial results of STC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan [CIC].

The results included in these condensed interim financial statements should not be taken as indicative of the performance to be expected for a full year due to the seasonal nature of corporate operations.

2. Basis of preparation

a. Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting*. These interim results do not include all the information required for full annual financial statements and should be read in conjunction with STC's audited annual financial statements for the year-ended December 31, 2012.

The condensed interim financial statements were authorized for issue by STC's Board of Directors on November 14, 2013.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Company's functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Depreciation is based on the estimated useful lives of property and equipment. Tangible assets are reviewed for impairment annually using estimates of recoverable amounts to determine if there is an impairment loss. The accrual for compensated absences is based on historical usage.

3. Significant accounting policies

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those applied in STC's audited annual financial statements for the year-ended December 31, 2012.